III IPI Newsletter

A Quarterly Newsletter

October 2006

The 5 Key Elements Of Customer Loyalty

- 1. Branding Creates the Relationship.
- 2. Content and Presentation of Information Educates the Customer.
- 3. Exemplary Customer Service Retains and Strengthens Loyalty.
- 4. Personalization and Segmentation Makes the Experience Relevant.
- 5. Loyalty Programs Provide a Formalized Way to Court Loyalty.

Building Customer Loyalty

There are five key elements to customer retention and every successful business must practice each of them if they are to grow and prosper (see list to the left).

Over the next few newsletters, we will talk about each of these, beginning with Branding. Branding is nothing more than a "recall mechanism" that triggers the person receiving the message to associate it to a particular company or organization.

For IPI, it could be our slogan, "Your State Owned Store." Everyone who has ever received a pen, pencil, coffee cup, etc. from IPI instantly knows who IPI is. This is the begin-

ning of developing the instant recall when a customer is in need of a product or service. We have worked very hard to establish IPI as a different organization. Our slogan has helped; we have changed our logo to a softer look that still associates us with prisons but in a less conspicuous way. Other examples could be HyVee with their slogan "A Smile in Every Isle." Branding is our marketing introduction to prospective customers and our signature if you will to existing customers. Branding is something that serves us well over the long haul.

Next quarter we will look more closely at Content and Presentation.



Baysden's Corner

BY ROGER L. BAYSDEN
IPI DIRECTOR

Congratulations on yet another successful and upward quarter!

For the first time that I can remember, every IPI Plant location is ahead of last year in sales. Each of you should take enormous pride in knowing that our customers have trusted us to deliver the high-quality products and services that they expect for their money, and you have delivered! Iowa Prison Industries thanks you, and your commitment to ensuring every customer is 100% satisfied will serve us well as we continue to expand inmate work opportunities.

As we transition into a year of change with a new Governor and many new Legislators, we are well positioned to transcend the changes in government that are likely to occur. Each new administration has their own agenda, their own expectations and their own demands.

During the next 18 months, IPI will invest heavily in infrastructure. Just this past week, we completed construction of a new barn at Anamosa, we are in the midst of the construction of a new and expanded warehouse on grounds at Anamosa, and just today we called for an RFP to expand the Rockwell City building by 10,000 square foot. This will give us a 30,000 square foot manufacturing facility. By mid-year of 2007, we will address our showroom; my hopes are to purchase the facility or purchase at a different location. The key is to purchase so that we can escape the never-ending rent. Finally, we hope to begin construction inside

of the prison at Anamosa. These infrastructure expansions are 100% IPI funded, and they are consistent with our mission statement. These new facilities will create new jobs for staff and inmates. All of this growth is directly related to you and your everyday efforts. I urge you to meet frequently as teams and to challenge traditional thinking. There may be a better way to perform the task or manage the process, and through team meetings "Quality" will emerge.

Over the next few newsletters we will discuss Five Keys to Building Customer Loyalty (see part one of the series above), and I hope that these discussions will continue during your team meetings.

Finally, I want to take the opportunity to wish each of you and your families a wonderful holiday season.

Sales & Marketing

Upcoming Trade Shows

Nov 16 – Iowa Association of School Boards, Des Moines

Customer Spotlight: Iowa Veterans Home

What have you done for me lately? How about purchasing over \$175,000 in products and services and falling in the Top 25 customers last fiscal year as well as providing inmate work for many of our production shops. That is exactly what Iowa Veterans Home in Marshalltown has done to support the programs and services of IPI.

The Vets Home has been a great customer and partner with Iowa Prison Industries, and last year was no exception. Purchases from IPI have included furniture, chemicals, textiles and air filters, and we are currently working with them on plastic bags. Other projects have included reupholstery in Mitchellville as well as many custom projects. Sales Reps Dennis Barry and

Sales Change From FY 06 to FY 07

(YTD: July 1, 2006 through September 30, 2006)

Kevin Peterson work monthly with many staff members including Eldon Schneider, Adjutant Stan Freeborn, Denise Ulery in Pur-

chasing, Bill Thoms in Maintenance, Robin Fouch and Bill Curler in the Laundry and Facilities and Mark Underwood and his staff in the Quartermaster's office.

IPI is truly indebted to the staff of the Veterans Home for their outstanding support of our programs and services. They fully understand the value not only to them but to the taxpayers of the State, the inmates who learn the skills and can transfer them to the private sector upon release, and the feeling of

1st Quarter New Customer /

New Project Orders

1.8%

Maybe

2.0%

21.1%

No

1.5%



lending a "helping hand" to those who need it. Without excellent customers like the Iowa Veterans Home, our job here at IPI would be more difficult to accomplish and not nearly as enjoyable.

Iowa & Nebraska Work Together At NAEP Trade Show

The IPI Sales and Marketing Department recently worked in conjunction with Nebraska's Cornhusker State Industries (CSI) with adjoining booths at the National Association of Educational Procurement meeting in Omaha. IPI staff members spent the day talking to and meeting with educational buyers from Missouri, Iowa, Nebraska and Kansas. It gave us a chance to speak with our customers, show them what was new and learn about what projects might be on the burner for the future. In addition, Iowa and Nebraska shared some thoughts and ideas on how and what we can do in the future to reach our market and increase inmate work hours and operating revenues. It was time well spent with our customers and our sister program to the East.



Left to right: Joe Briggs (CSI Sales Rep), Scott Klinefelter, Kate Severin (CSI Sales Manager), Ann Baughman and Bob Manka; Not shown: Bob Fairfax

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77.2%

Yes

96.5%

Sales Report Card

Average

Would you recommend us to others?

Sales Team, Plants & Customers Team Up On New Product Ideas

Many times we state that our Research and Development department at IPI lies in each and every one of us. This is a fact; most of the ideas for new products and services come from our employees, workers or customers. Our ability to change with the marketplace and come up with products and ideas that are desired by our customers are the keys to our growth and success.

That being said, what products are we developing today?

At **Anamosa**, the shops are exploring:

- Different styles of legs for our tables and computer desks
- Cantilever desks and chairs for K-12 schools
- Changes to our chemical and service program
- New variations of 700 Series library

shelving to accommodate the needs of both public and school libraries **Mitchellville** is working on:

- Soft "Homelike" lounge furniture for colleges and universities or any lounge application
- The "Snap" line of economical seating for offices and schools
- A new line of "leather" office and conference seating
- New options for 24/7 seating at institutions

Ft. Madison is looking at:

- Different applications of cabinetry and storage units
- Soft seating frames for Mitchellville
- Entering the church market with different styles of pews

Newton is researching:

- New types of Bio Hazard bags

- PAYT (Pay As You Throw) trash



bags used in some cities

- Finding innovative ways to bring new products and services to their Central Canteen customers

Rockwell City is getting into:

- The novelty swing of things, who knows what gem will be found from them in the future.

All this in the last 12 months, what will we come up with next year...Your mind and imagination may be the springboard to new ideas for IPI. Keep those cards and letters coming. Thanks to everyone for their ideas and concepts.

Federal Surplus Aims To Rebuild Program

The Federal Surplus program is continuing to search out property that it can make available to qualified organizations in Iowa. We recently received a 20-ton crane that we had shipped in from California. We have also acquired a couple of aircraft tow motors and a street sweeper that are now available for sale. In September, IPI started a monthly Federal Surplus newsletter that is emailed out to our customer base to help spread the information. Brochures have been printed and are handed out and sent to specific customers. Getting out the information on the Federal Surplus program is the current marketing strategy to rebuild the program.



Des Moines

State Surplus Continues Growth

Progress is starting to take shape in the State Surplus Operation. State Surplus is taking off. New customers continue to come into the store each day and are amazed to find great deals on office furniture, computers and the novelty items that are made from scrap materials at each of the manufacturing plants. Customers are very impressed with the craftsmanship of the novelty items. State Surplus has monthly specials, mostly on office chairs, desks and filing cabinets.

State Surplus also offers 50 Pentium II computers each month to low income

families for free the first day of each month. It is amazing to see the amount of people that are lined up waiting for the free computers. People actually start lining up when we open the gates at 6:30 a.m. so they can be in line when the doors open at 8:00 a.m. The 50 free computers handed out in October were all gone in 40 minutes.

Surplus is also working on selling items on Ebay. While this has not been as productive as we would like, we are rethinking our strategy in placing and marketing items that we are going to offer on the Internet.

DMPS Keeps Move & Install On The Go

Moving and Installs program is continuing to stay busy as Des Moines Public Schools is finding more projects that they require our services to complete. It was another busy summer, and the crews were working at several loca-

tions throughout the district all summer. Construction delays at one of the high schools have caused the work that IPI was hired to complete to take longer than expected, but that school is now nearing completion.

Mitchellville

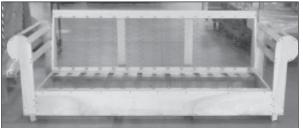
Panels & Seating Perfecting New Lounge Furniture Line

In coordination with Iowa State University and the University of Northern Iowa, the Panels & Seating division is working on the introduction of a new "Home" line of lounge furniture.

by ISU of the furniture style they are interested in, Fort Madison built frames for a couch and a chair. After upholstering half of the couch, ISU staff members visited the plant to look over the sample. We have since made changes to the



sample and have provided ISU the completed sample to critique along with



a choice of two types of seat cushions.

Similarly, a chair was produced halfupholstered and delivered to UNI for their opinions. Modifications have been made based on their input and a revised sample is awaiting their final approval.

Once the design of the couch and chair are final, pricing will be established and the new line will be offered to colleges, universities, libraries and other customers across the State of Iowa. This new line of lounge furniture will provide a cost-competitive but durable alternative to IPI's current offerings.

Inmates Thanked With Banquet

On October 3rd, Mitchellville held a banquet for our inmate employees to show our appreciation for all the hard work they have done over the last year. We served cheeseburgers, polish sausages and brats fresh off the grill! We also had pork & beans, potato salad, chips, fresh apples, a variety of candy, s'mores (roasted over the grill), ice cream cakes from Dairy Queen and



several different flavors of sodas to wash it all down! It was quite a day.



Newsletter Production In Demand

Our Print Shop is now running full speed ahead again thanks to Rhonda Stoller, who is now back fully from her recent surgery.

We have been busy this quarter due to a rise in popularity of newsletters for a variety of organizations. Right now we are producing approximately twenty different ones a month. The average newsletters are 12 to 28 pages long, and the orders have been all the way up to 6,000 copies! Most newsletters come

ready to print although we still need to fine-tune them to fit our machines, but some we format from scratch.

Once the newsletters are printed, getting them ready to mail out is where our bindery department takes over. In preparation for mailing, we usually fold, collate and saddle stitch the newsletters as well as apply mailing tabs if needed. Upon completion, the newsletters are either returned to the customer for distribution or taken to the Post Office.

Requests Up For Large Document Scans

The Imaging Shop is getting more and more requests for large document scanning on our Blueprint Scanner. Our latest project was for Lacey Keosauqua State Park. They sent us maps of their park that were almost 100 years old. We scanned, digitized and cleaned the maps up, and now they are able to print them out and sell them as souvenirs in their gift shop.

This scanner is going to let us expand our current customer base. IPI, as always, is looking for new ways to better serve our customers!

Recent Customer Testimonials

Governor's Office: Office Furniture

"You can imagine that I'm often 'chained to my desk' so its look and feel are important to me. When our office decided to purchase my new desk, you guys came through with a low-cost high-quality product. I was surprised at the speed of the manufacturing and delivery of the desk, and I have been very impressed with its quality, practicality, and elegance. Thanks for your great work."

 Rodell Mollineau, Director of Communications

City of Monticello: Custom Wood Furniture

"Quality product, reasonably priced, delivered as promised."

– Doug Herman, City Administrator

Anamosa Sales Ahead Of Last Year

Through September, the Anamosa plant reports an overall increase in sales of 12% over this period last year. Strong starts by several of the divisions have helped us to get a jump on the year with sustainable income also ahead of last year's pace. For the remainder of the year, our challenge will be to sustain this level through our winter months.

Tours & Shows Teach Customers About IPI

We have had several groups come through the plant again this quarter. Legislative representatives and various candidates have taken time to tour our shops and learn about our program. On September 14th, representatives of the City of Monticello toured the shops and looked at a desk being built for them in Custom Wood. They were complimentary of the value, quality and ability to finish the project ahead of schedule. October 5th, Warden Burt and ASP's Community Relations' board toured through the shops.

Greg Hart and Kim Zimmerman attended the Annual County Conservation Board Conference at Scott County Park on September 23rd.

Employee Recognition Program Started

If you have been in Anamosa in the last few months you may have noticed a new plaque in the hall of the administration building. The plaque recognizes the IPI Employee of the Month for outstanding contributions. An individual plaque is given to the person along with a certificate for their personnel file.

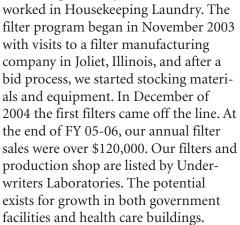
Recipients this past quarter were Tammy Diesburg, Lennie Miller and Grace Kurt.

Anamosa

Shop Spotlight: New Filters

Division

This quarter's spotlight will be on our new division. As of October 1st, our filter line that was in Housekeeping Laundry will be a standalone division. The filter division will share the same workspace along with staff and inmates that have previously

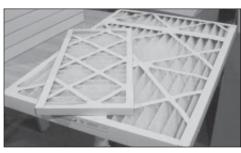


Congratulations to the staff and inmates who have worked to build a new program that matches the quality and value of our other programs.



Tim Diesburg, Tammy Luchtenburg & Mark Hollenback run the new Filters Division along with the Housekeeping & Laundry division.





Recent Filter Testimonial:

"I received the filters I ordered today. Please tell your staff thank you... Once again your service and filters are excellent. Thanks again."

– Ed Hicks, Plant Operations Manager, Newton Correctional Facility

Don Chapman Looks Forward To Return

Don Chapman's health continues to improve and he is anxious to get back to work. Thanks to everyone that attended or donated to his benefit breakfast on August 7th. It is also heart warming to see the donated leave that people have given to Don in helping him get through his recovery.

We look forward to seeing you soon Don!

Staff Enjoy Night Out

Thanks to Al Stecher for organizing the IPI night out to the Cedar Rapids Kernel's baseball game on Saturday August 19th. Those attending had a great time and next years event is already in the works for June 16, 2007.

Business Office Spotlight On Purchasing

Continuing to spotlight the different areas of the Business Office, this quarter we highlight the Purchasing Office.

It is the responsibility of the Purchasing office to procure all raw materials, supplies, services and equipment used for the manufacturing process of Iowa Prison Industries. It is very important that this be done timely so that production and delivery deadlines are met.

Cindy Reck, Pam Kray and Ruthanne Weideman are the Purchasing Office Staff. They all do a great job and are great people to work with.

Cindy Reck

- Graduated from Ellsworth Community College, attended UNI.
- Prior to state employment worked at a local law firm.
- Started with IPI in June 1990 as a Purchasing Assistant, later became a Purchasing Agent 1 and is now a Purchasing Agent 3.
- Job responsibilities include: Research of and procurement of all major equipment and construction which includes sealed bids such as IFB, RFQ, RFP, and negotiations; establishes and maintains 67 contracts and 51 maintenance and service contracts; writes product and equipment specifications: researches new materials; follows up on problems; and coordinates deliveries.
- Married 34 years to Dale, an Anamosa middle school art teacher and coach; 2 sons age 29 and 25.
- Cindy likes to swim, read, quilt and spend time with her family.
- Some of Cindy's and the Purchasing Office's projects this past year have been writing proposed changes to IPI's Administrative Rules, establishing a new DLP and License Plate Sheeting contract, the establishment of a major contract

change in IPI's Housekeeping Division, bidding and assisting in coordinating installation of a new cold storage building for IPI's Anamosa Warehouse and the establishment of an approved vendor list to assist the Surplus Divisions for transporting surplus vehicles, machinery and equipment.

- Cindy states: "The Purchasing office is working hard to meet the needs of our staff and to make Iowa Prison Industries the best it can be. All of IPI has a very hardworking and dedicated staff and I enjoy working with them all and being a part of Industries."

Pam Kray

- Graduated from Olin High School.
- Prior to state employment worked for 16 years in Personnel and Sales.
- Started at ASP in May 1989 as a temporary worker and then moved to Central Records, hired by IPI as a Purchasing Assistant in October 1997 and is now a Purchasing Agent 1.
- Job responsibilities include: Procurement of raw materials, supplies and equipment, which includes sealed bids, RFQ, negotiations; maintaining contracts; writing product and equipment specifications; following up on problems, and coordinating deliveries. Pam purchases for Custom Wood, Metal Furniture, and all Fort Madison and Rockwell City branches.
- Married for 29 years to Gaylen; 2 sons Zach age 28 (engaged to Kim who has a 5 year old daughter, Sydney – instant Grandma!) and Josh 25 (married to Rochelle in Aug
- Pam enjoys: cooking, church choir, a women's singing group Joyful



Cindy Reck, Pam Kray & Ruthie Weideman

Noise, camping, archery and making baskets.

Ruthanne Weideman

- Started with IPI in May of 2005 as a Purchasing Assistant and is now a Purchasing Agent 1.
- Attended numerous continuing education classes and seminars including NIGP seminars.
- Prior to state employment Ruthie worked as an Office Manager and a Senior Account Manager.
- Job responsibilities include: Procurement of raw materials, supplies and equipment, which includes sealed bids, RFQ, negotiations; maintaining contracts; writing product and equipment specifications; following up on problems, and coordinating deliveries. Ruthie purchases for the following branches: License Plates, Sign, Graphic Arts, Housekeeping/Laundry, Braille, Panels & Seating, Mitchellville Print, State and Federal Surplus, Moving & Install, Canteen, Plastics, and the Anamosa store. She also pays all non-purchase order payables including transfers of funds to other state agencies, and compiles monthly Inmate employment & production analysis reports.
- One 23-year-old daughter.
- Ruthie loves to watch all sports, especially the Iowa Hawkeyes and the Anamosa Raiders as well as reading, walking and shopping.

Service Anniversary



Bill Whitaker receives a certificate for 25 years of service to the State of Iowa from Becky Munoz.

Textiles Back To Full Operation

Fort Madison's Textiles Shop is back in full operation at the John Bennett Correctional Center, which allows IPI to employ inmates that are a lower security risk than those inside the penitentiary's walls. Sales are currently running 44% behind the first quarter of last fiscal year, but with current orders, things are looking better. We just completed 220 mattresses for Oakdale, and we also received an order from them to manufacture 1,630 sets of navy scrubs. Newton ordered 191 sets of red scrubs and ISP ordered 2,000 navy t-shirts. Along with these orders, we continue to manufacture stock towels, sheets, pillowcases and jeans. We always maintain a stock of socks and washcloths. Mark Meinhardt and Laura Mendez have done an excellent job getting this operation back up and running.

Novelty Item Production Begins

Rockwell City is producing novelty items to include small and large rocking horses, shelves, baskets, airplane rockers, rolling dogcarts and our newest item Christmas Ornaments. The offender worker assigned to novelties is very skilled at creating these items and is starting to increase production of these products as a system is fine-tuned.

Novelty items can be purchased from State Surplus. A catalog of products and current inventory can be found on IPI's web site at http://www.iaprisonind.com in the Publications section.

Fort Madison

Furniture Division Starts Year With Large Sales Increase

The first quarter of FY07 has started well for Fort Madison Furniture. Sales are up 117% over the first quarter of last year, and the shop has an order from University of Iowa for 540 rooms of furniture for Summer 07 already in process. Along with the new dorm order, we are currently refurbishing 54 pews for St. Mary's in Storm Lake with delivery before Thanksgiving.

The sales team and the shop are working with several new colleges that have expressed an interest in our dorm furniture for FY07. Furniture samples have been delivered to those colleges for their review. The addition of the Rockwell City facility has given the Fort Madison Furniture Division the ability to expand in the number of dorm furniture pieces that we can commit to producing.

Several other projects are also in progress in the Furniture Shop. We continue to work with University of Iowa on a prototype kitchen; the first prototype has been delivered, and they are looking at starting this project in FY08 for around 250 units per year over a three year period. We are also working with University of Arkansas, in collaboration with Arkansas Prison Industries, on supplying dorm furniture for FY07. The Furniture Shop also continues to produce various custom products for



customers upon request.

Recent custom products include benches for Iowa Wesleyan College (above) and a raised panel desk for AFSCME President Dan Homan (shown below with Inmates Nebinger & Stowers).



Rockwell City

Dorm Furniture Keeps Shop Busy

This past summer at Rockwell was pretty hectic, but challenging. The offender workers – some who had very little previous experience in woodworking – milled, bored, assembled and shipped an amazing 1,405 beds between the months of April and August. What a summer it was, and it was very nice to get these delivered and open the shop back up some.

Rockwell's operation has now expanded from just producing loft beds and accessories to include assembling wardrobes as well. This process is com-

ing along well and wardrobes are being assembled and shipped out constantly.

We received a glue rack from Fort Madison, which will allow us to assist in

the glueup of our own wood stock. This in turn will increase



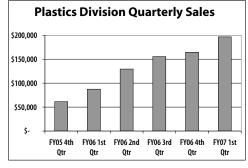
production by cutting down on transit time from Ft. Madison to Rockwell City.

Newton

Record Setting Quarter for

Plastics Division

Sales for the first quarter of fiscal year 2007 can be described as overwhelmingly overflowing into new record territory! Sales of \$196,628 exceeded the previous quarter by 20% and last fiscal year's first quarter by 122%. These figures are even more impressive when taking into consideration the competitive nature of our business and the volatile energy markets our products are derived from. This also marks the sixth consecutive increase in quarterly sales. The bar graph provides a dramatic visual aid in appreciating the success our Plastics Division has experienced.



We shipped a total of 10,335 cases of plastic bags in this first quarter. The demand can easily be explained in our formula for success: the ability to meet customer needs by providing a quality product at a reasonable price backed by our dedication to serve!

A "Sizzling" Story

Who doesn't like to barbecue? All of IPI Newton's valued employees feasted upon a meal to be remembered! The food was absolutely delicious. Grilled hamburgers and brats topped the list. Every trimming imaginable graced the row of tables (check out the photos).

There were desserts galore featuring the best cookies in North America.





Central Canteen Offers Holiday Gift Program

The holiday spirit of giving carries on at IPI. The Central Canteen will be offering a special purchase program that allows friends and family members to send a holiday gift package to inmates. This is a great opportunity for people outside of the state prison system to

show their thoughtfulness by sending a family gift package to offenders. Placing an order is as easy as sitting down at a computer and logging on to our web site: www.iaprisonind.com. Order forms will also be available at all institutions for visitors.

A \$25.00 gift package will be offered. This comprehensive food package includes soups, chips, cookies, crackers, meal tray item, flavored drink and assorted candies. Each gift package includes a card with the recipient's name and the gift givers name(s).

On The Lighter Side



Birthdays

Make sure you jot down these upcoming birthdays so you can make sure they have a great day!

November

- 3 Pat Fowler (AN)
- 9 Bill Jansenn (AN)
- 10 Ray Rayes (FM)
- 12 Julie Dietiker (AN)
- 13 Matt Butler (NW)
- 18 Rhonda Stoller (MV)
- 10 Knonda Stoller (WV)
- 22 Don Chapman (AN)
- 22 Tammy Diesburg (AN)
- 26 Tim Diesburg (AN) 28 – Julie Nassif (AN/Farms)
- 20 Julie Nassii (Alv/Falliis
- 30 Rod Schlee (AN)
- 30 Al Stecher (AN)

December

- 1 –Wayne Schilling (AN)
- 7 Dave London (RC)
- 11 Barb Koppen (DM)
- 15 Dave Reidner (FM)
- 16 Al Reiter (AN)
- 21 Roger Baysden (DM)
- 22 Shawn Preston (NW)
- 30 Bob McGrew (AN)

January

- 5 Bob Manka (FM)
- 5 Bill Whitaker (FM)
- 12 Sean Culbertson (DM)
- 16 Deanna Cross (NW)
- 22 Dale Schwickerath (NW)
- 26 Scott Klinefelter (DM)
- 27 Mike Lynch (AN/Farms)
- 30 Kevin Peterson (DM)
- 31 Lennie Miller (AN)

Please submit any personal news you would like included in the IPI Newsletter to your plant manager or to Ann Baughman at the Sales Office.

Family News

Anamosa

Congratulations to Al and Amy Stecher on the birth of their first child. Jack Allen was born on September 28th.

Patty Gassmann is proud grandmother to her 4th grandchild, Jared Michael Gassmann.

Fort Madison

Bob & Marta Manka welcomed granddaughter Leah Joy on June 7th. She weighed in at 7 lbs. 14 oz. and was 20" long. She was welcomed by her parents, Dan & Kelly and older siblings.

Bill & Phyllis Whitaker also welcomed a granddaughter, Glory Rose. Born August 14th to parents Cory & Rebecca, she weighed 8 lbs. 5 oz. and was 20" long.